



First Resources Limited

**Full Year and Fourth Quarter 2019
Results Presentation
26 February 2020**

Delivering Growth and Returns



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Executive Summary – FY2019

Resilient Performance amidst Challenging Market Conditions

■ Financial Performance

- EBITDA came in at US\$218.8 million, a decrease of 15.2%
- Underlying net profit came in at US\$89.1 million, a decrease of 27.3%
- Impact of weakness in palm oil prices partially mitigated by higher sales volumes

■ Operational Performance

- Production declined marginally against the strong output in 2018
- Fresh fruit bunches (FFB) harvested decreased by 2.1%
- Correspondingly, crude palm oil (CPO) production volumes decreased by 1.4%
- Cash cost of production for nucleus CPO remained low at US\$230 per tonne (FY2018: US\$237)

Dividend Proposal

- **Proposing final dividend of 1.725 Singapore cents per share**

- Interim dividend of 0.625 Singapore cents per share paid in September 2019, bringing full-year ordinary dividend to 2.350 Singapore cents per share

	FY2019	FY2018	FY2017	FY2016	FY2015
Interim (SGD cents per share)	0.625	1.25	1.25	0.625	1.25
Final (SGD cents per share)	1.725	2.00	2.15	2.375	1.25
Special (SGD cents per share)	-	-	3.40	-	-
Total (SGD cents per share)	2.350	3.25	6.80	3.000	2.50

% of Underlying Net Profit

- Ordinary dividend	31%	31%	29%	29%	30%
- Special dividend	-	-	29%	-	-

Financial Performance



Income Statement Highlights

US\$' million	FY2019	FY2018	Change	4Q2019	4Q2018	Change
Sales	614.9	633.5	(2.9%)	184.2	145.5	26.6%
Cost of sales	(387.7)	(354.7)	9.3%	(105.3)	(92.1)	14.3%
Gross profit	227.2	278.8	(18.5%)	79.0	53.4	47.9%
Gains/(losses) arising from changes in fair value of biological assets	7.9	(3.5)	<i>n.m.</i>	7.9	(3.5)	<i>n.m.</i>
EBITDA ⁽¹⁾	218.8	257.9	(15.2%)	75.5	47.5	58.8%
Net profit ⁽²⁾	89.1	120.0	(25.7%)	32.0	17.3	84.6%
Underlying net profit ⁽³⁾	89.1	122.6	(27.3%)	32.0	19.9	60.3%
Gross profit margin	36.9%	44.0%	↓	42.9%	36.7%	↑
EBITDA margin	35.6%	40.7%	↓	41.0%	32.7%	↑

- Higher production and sales volumes in the last quarter boosted 4Q2019 financial performance
- Overall results for FY2019 continued to reflect the effects of lower average selling prices for the year, partially mitigated by higher sales volumes

(1) Profit from operations before depreciation, amortisation, expected credit losses and gains/(losses) from changes in fair value of biological assets

(2) Profit attributable to owners of the Company

(3) Profit attributable to owners of the Company excluding expected credit losses and gains/(losses) from changes in fair value of biological assets and unquoted investment

Segmental Results

US\$' million	FY2019	FY2018	Change	4Q2019	4Q2018	Change
Sales						
Plantations and Palm Oil Mills	463.2	534.8	(13.4%)	135.3	122.6	10.4%
• Crude Palm Oil	395.2	446.6	(11.5%)	116.5	104.4	11.6%
• Palm Kernel	53.7	75.2	(28.6%)	15.5	15.1	2.7%
• Fresh Fruit Bunches	14.3	13.0	9.7%	3.3	3.1	7.0%
Refinery and Processing	592.7	604.7	(2.0%)	178.5	138.8	28.6%
Inter-segment elimination	(441.0)	(506.1)	(12.9%)	(129.5)	(115.9)	11.7%
	614.9	633.5	(2.9%)	184.2	145.5	26.6%
EBITDA						
Plantations and Palm Oil Mills	177.1	249.7	(29.1%)	51.2	46.9	9.3%
Refinery and Processing	28.9	17.0	70.3%	20.3	6.6	207.8%
Inter-segment elimination ⁽¹⁾	12.8	(8.8)	<i>n.m.</i>	4.0	(5.9)	<i>n.m.</i>
	218.8	257.9	(15.2%)	75.5	47.5	58.8%

(1) Inter-segment elimination of EBITDA relates to the elimination of unrealised profit on inter-segment sales

Segmental Sales Volume

	FY2019	FY2018	Change	4Q2019	4Q2018	Change
Sales Volume (tonnes)						
Plantations and Palm Oil Mills ⁽¹⁾						
• Crude Palm Oil	844,626	826,842	2.2%	248,408	211,530	17.4%
• Palm Kernel	191,096	190,298	0.4%	60,205	44,752	34.5%
Refinery and Processing	1,167,641	1,011,037	15.5%	332,777	255,974	30.0%

- Higher sales volumes in FY2019 boosted by a net inventory drawdown of ~53,000 tonnes (FY2018: build-up of ~69,000 tonnes) and increased purchases of CPO from third parties
- For 4Q2019, the higher sales volumes were driven by improved production volumes as well as a net inventory drawdown of ~37,000 tonnes (4Q2018: build-up of ~31,000 tonnes)

(1) Sales volume includes inter-segment sales

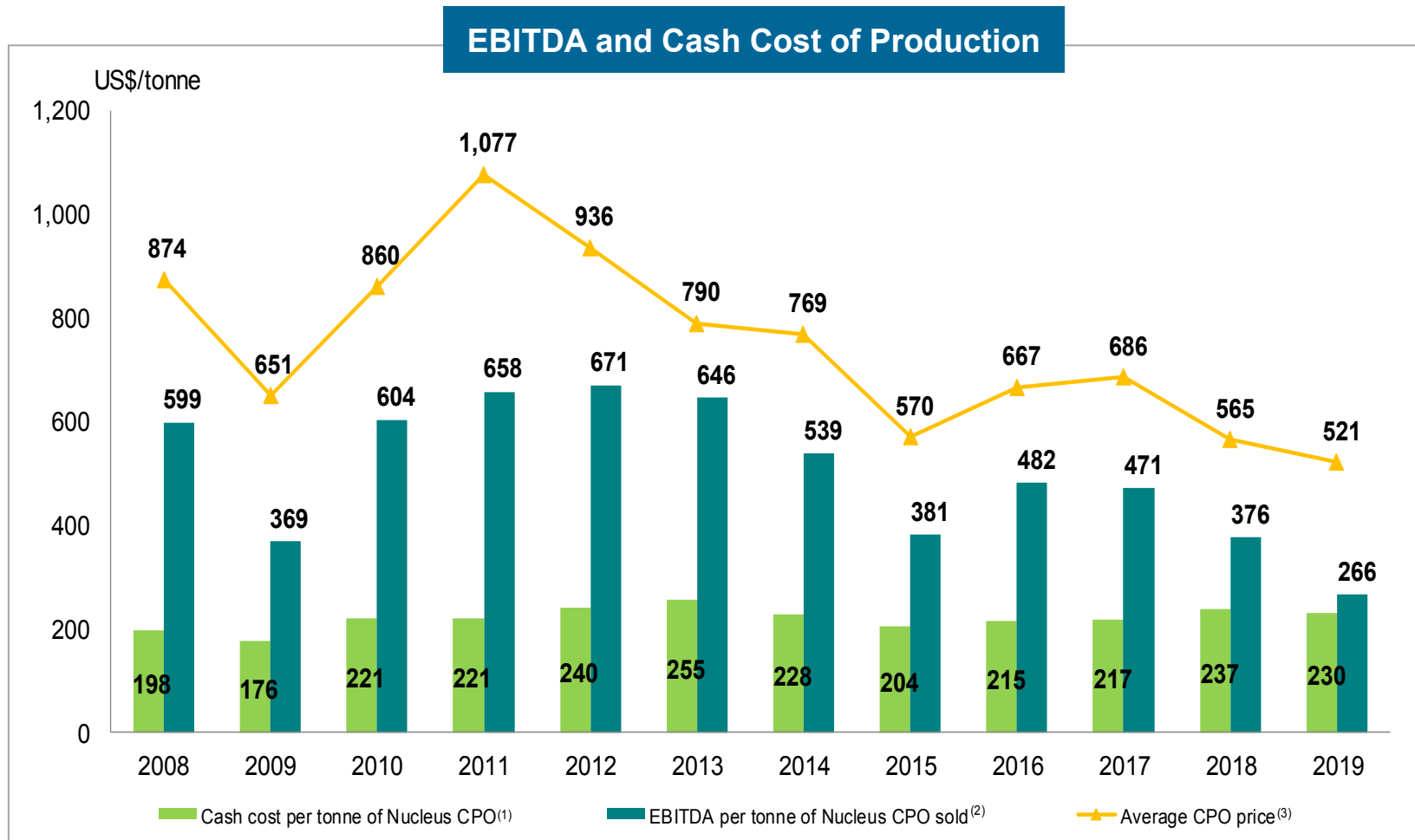
Review of Key Performance Metrics

Performance Metrics	FY2019	FY2018	Change
Unit Cash Cost of Production, Ex-Mill ⁽¹⁾ - Per tonne of Nucleus CPO produced	US\$230	US\$237	↓
Unit EBITDA ⁽²⁾ - Per tonne of Nucleus CPO sold	US\$266	US\$376	↓
Unit EBITDA ⁽²⁾ - Per mature Nucleus Hectare	US\$1,059	US\$1,544	↓

(1) Derived using total cash cost of producing nucleus CPO and PK (before selling and distribution expenses and general and administrative expenses), divided by the production volume of nucleus CPO

(2) Refers to EBITDA contribution from Plantations and Palm Oil Mills segment and not Group EBITDA

Key Performance Metrics

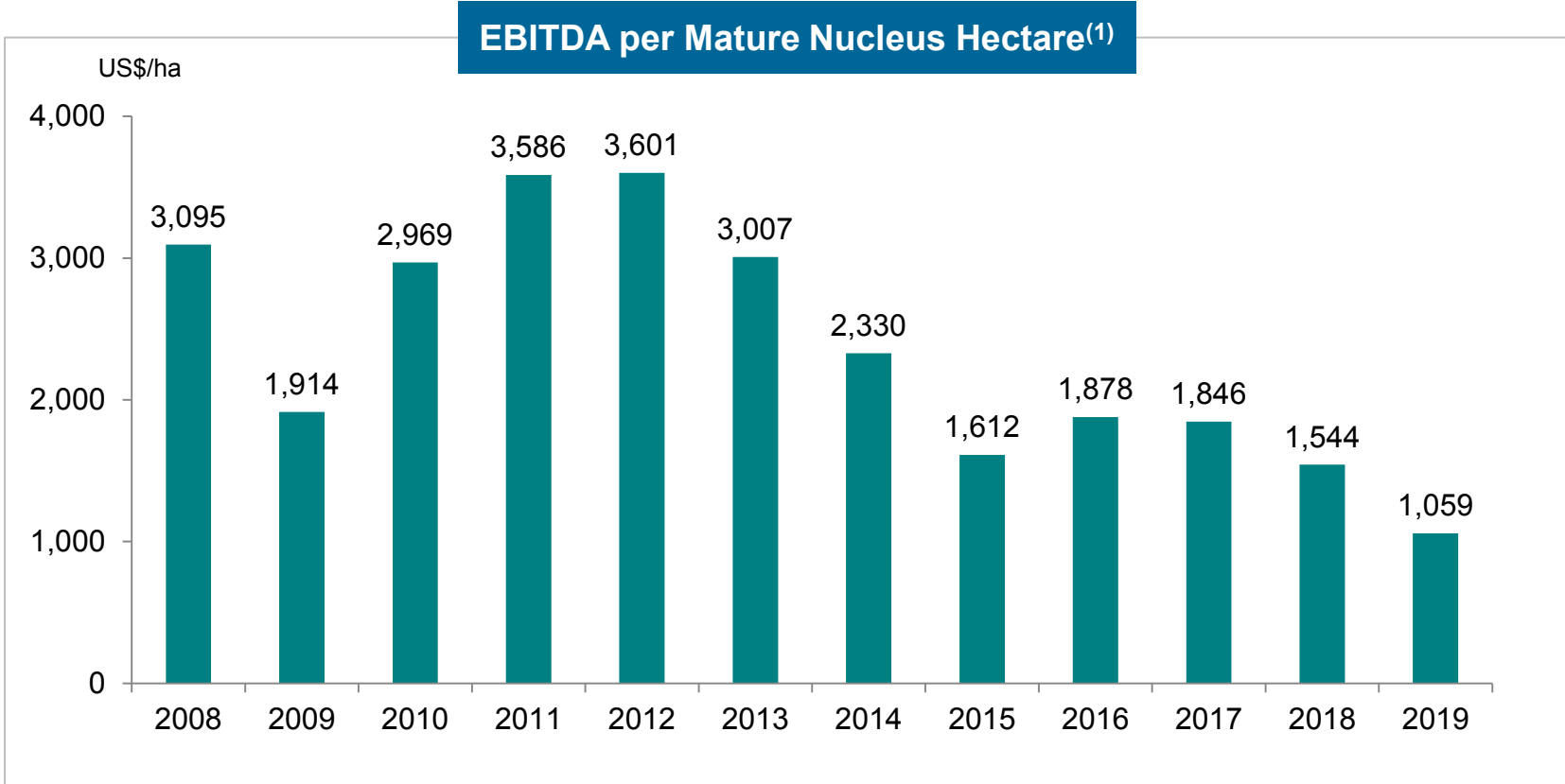


(1) Derived using total cash cost of producing nucleus CPO and PK (before selling and distribution expenses and general and administrative expenses), divided by the production volume of nucleus CPO

(2) Refers to EBITDA contribution from Plantations and Palm Oil Mills segment and not Group EBITDA

(3) Based on Indonesia FOB Crude Palm Oil spot price

Key Performance Metrics



Expect better unit EBITDA going forward on stronger CPO prices

(1) Refers to EBITDA contribution from Plantations and Palm Oil Mills segment and not Group EBITDA



Balance Sheet Highlights

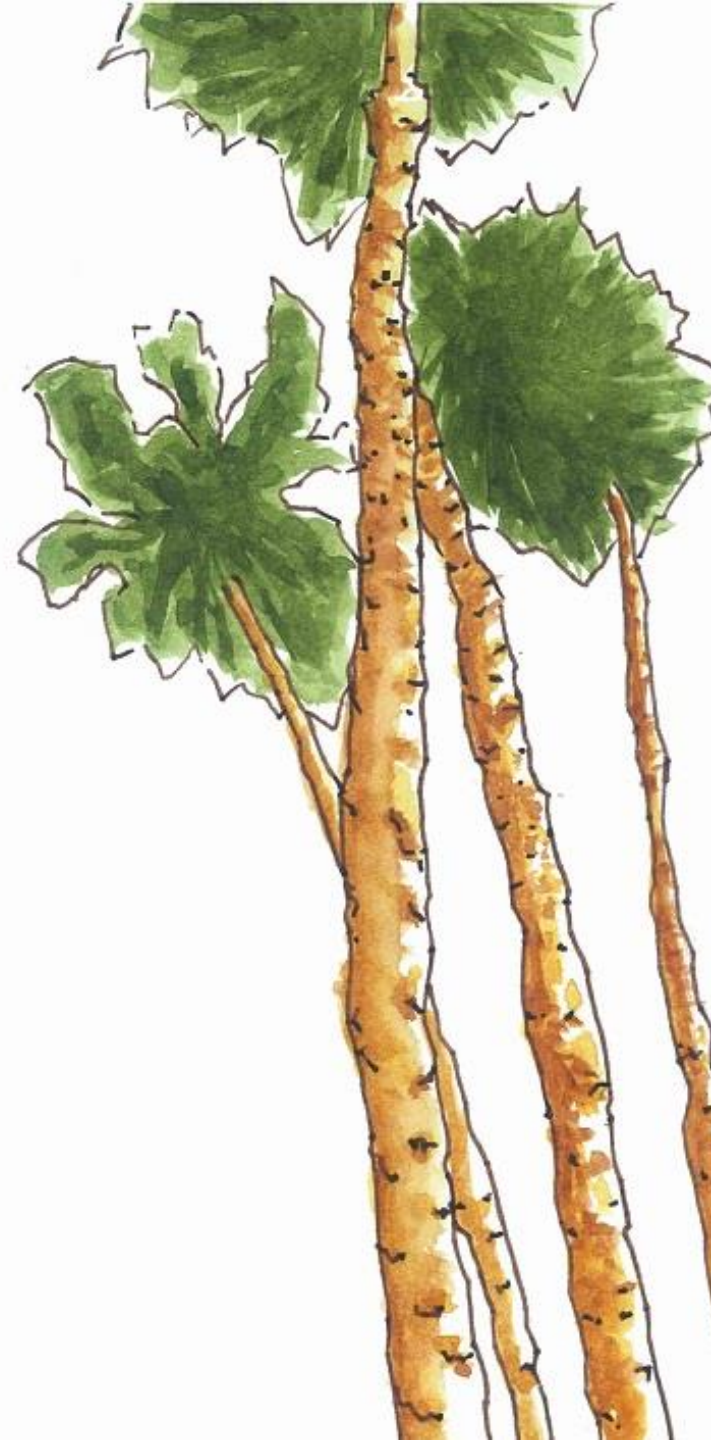
US\$' million	31 Dec 2019	31 Dec 2018
Total Assets	1,708.9	1,571.0
Cash and bank balances	102.0	99.9
Total Liabilities	607.0	585.0
Borrowings and debt securities ⁽¹⁾	411.3	381.0
Total Equity	1,101.9	986.0
Net Debt	309.3	281.1
Gross Debt ⁽¹⁾ /Total Equity	0.37x	0.39x
Net Debt ⁽²⁾ /Total Equity	0.28x	0.29x
Gross Debt ⁽¹⁾ /EBITDA	1.88x	1.48x
Net Debt ⁽²⁾ /EBITDA	1.41x	1.09x
EBITDA/Interest Expense ⁽³⁾	12.8x	14.3x

(1) Sum of Islamic MTNs and borrowings from financial institutions

(2) Borrowings and debt securities less cash and bank balances

(3) Total interest/profit distribution paid/payable on borrowings and debt securities

Operational Performance

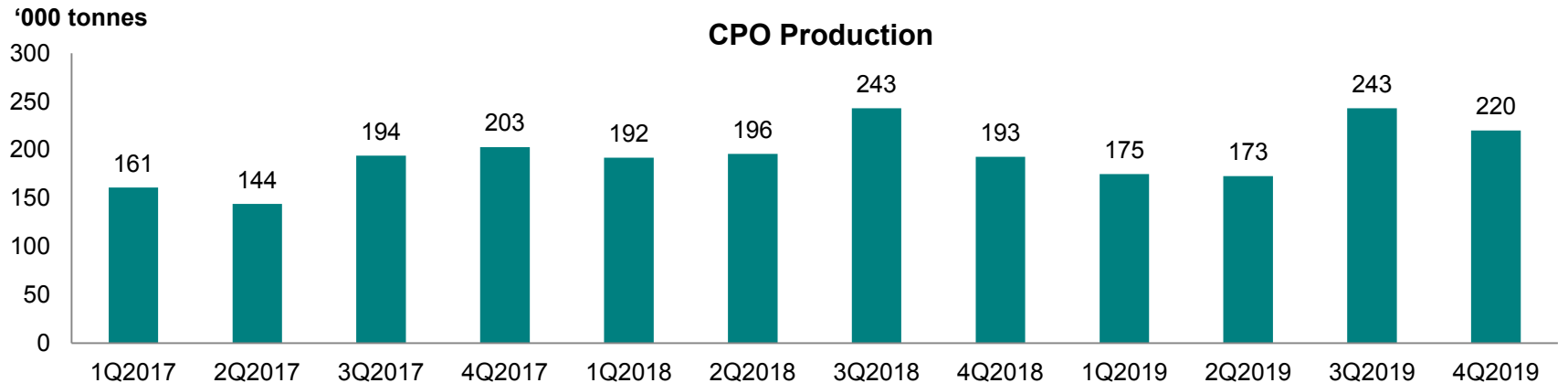
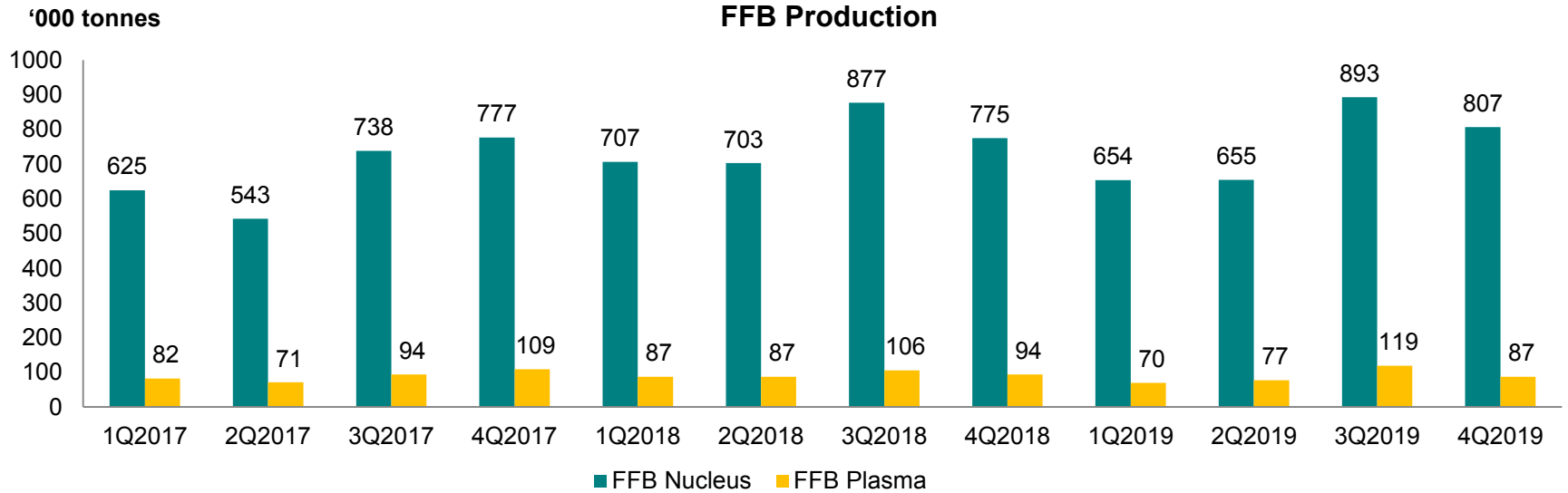


Production Highlights

		FY2019	FY2018	Change	4Q2019	4Q2018	Change
Production							
FFB harvested	(tonnes)	3,362,364	3,435,159	(2.1%)	894,048	868,941	2.9%
• Nucleus		3,009,424	3,061,819	(1.7%)	806,909	775,266	4.1%
• Plasma		352,940	373,340	(5.5%)	87,139	93,675	(7.0%)
CPO	(tonnes)	811,947	823,679	(1.4%)	220,417	192,697	14.4%
PK	(tonnes)	185,599	188,471	(1.5%)	50,018	45,298	10.4%
Efficiency							
FFB Yield	(tonnes/ha)	17.0	18.0	↓	4.5	4.6	↓
CPO Yield	(tonnes/ha)	3.9	4.1	↓	1.0	1.0	—
CPO Extraction Rate	(%)	23.1	22.9	↑	23.1	22.5	↑
PK Extraction Rate	(%)	5.3	5.2	↑	5.2	5.3	↓

- Production volumes in 4Q2019 improved yoy although full year production still showed a marginal decline against the strong output in 2018

Production Trends

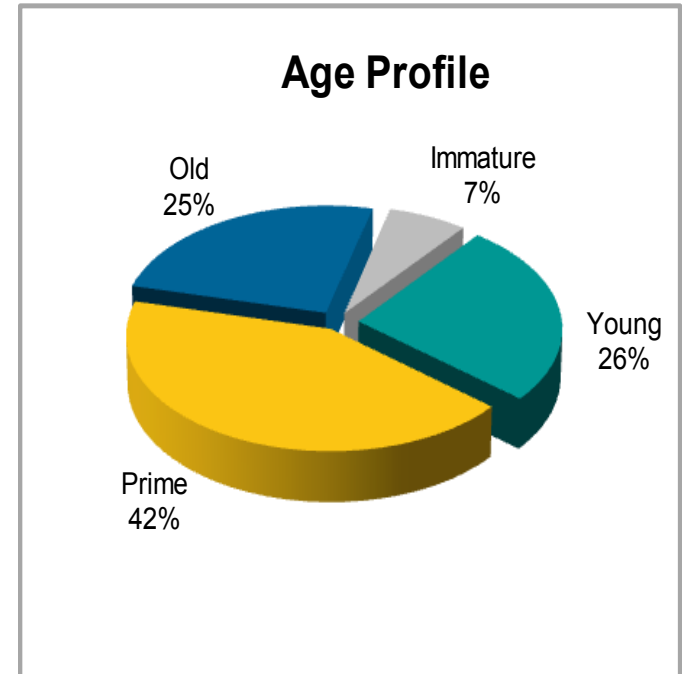


Oil Palm Plantation Area

	As at 31 Dec 2019		As at 31 Dec 2018	
	Area (ha)	% of Total	Area (ha)	% of Total
Planted Nucleus	181,065	85%	180,172	85%
- Mature	167,124	79%	161,759	76%
- Immature	13,941	6%	18,413	9%
Planted Plasma	31,008	15%	30,713	15%
- Mature	30,260	14%	29,061	14%
- Immature	748	1%	1,652	1%
Total Planted	212,073	100%	210,885	100%
- Mature	197,384	93%	190,820	90%
- Immature	14,689	7%	20,065	10%

Plantation Age Profile

Age	As at 31 Dec 2019	
	Area (ha)	% of Total
0-3 years (Immature)	14,689	7%
4-7 years (Young)	54,459	26%
8-17 years (Prime)	90,297	42%
≥ 18 years (Old)	52,628	25%
Total	212,073	100%






Weighted average age of ~ 12 years

Group Updates



A Plantation Group with Integrated Operations

	Plantations	Milling	Processing
Activity			
Products	<ul style="list-style-type: none"> ■ Fresh Fruit Bunches 	<ul style="list-style-type: none"> ■ Crude Palm Oil ■ Palm Kernel 	<ul style="list-style-type: none"> ■ RBDPO ■ PFAD ■ RBD Olein ■ RBD Stearin ■ Biodiesel ■ PKE ■ PKO ■ Crude Glycerine
Assets	<ul style="list-style-type: none"> ➢ 212,073 ha of plantations <ul style="list-style-type: none"> • Nucleus : 181,065 ha • Plasma : 31,008 ha 	<ul style="list-style-type: none"> ➢ 17 CPO mills 	<ul style="list-style-type: none"> ➢ Refinery, fractionation & biodiesel plants ➢ Kernel crushing plant

Note: Data as at 31 December 2019

Capital Investments in 2020

■ Plantation Development

- Replanting of oil palms
- Maintenance of immature oil palm and rubber plantations

■ Property, Equipment and Others

- Infrastructure for plantation management

■ CPO mills

- Construction of our 18th mill
- Upgrading and maintenance of existing CPO mills

■ Processing Facilities

- Construction of a new integrated processing complex in East Kalimantan

■ Others (IT, Seed Garden, Learning Centre)

Expected capital expenditure ~ US\$110 million

Updates

■ Outlook

- Palm oil prices have rallied in 4Q2019 on expectations of tightening supply growth and drawdown in inventory levels, although recent concerns over the COVID-19 has been an overhang on CPO prices, due to downside risk to demand from China.
- The Group believes that supply-demand dynamics of the palm oil industry remain favourable, contributed by expectations of slowdown in production growth from dry weather and lower fertiliser application last year, as well as the boost from Indonesia's B30 biodiesel mandate. Other macro factors such as developments in the US-China trade deal and the soybean and crude oil markets will continue to influence CPO prices.

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